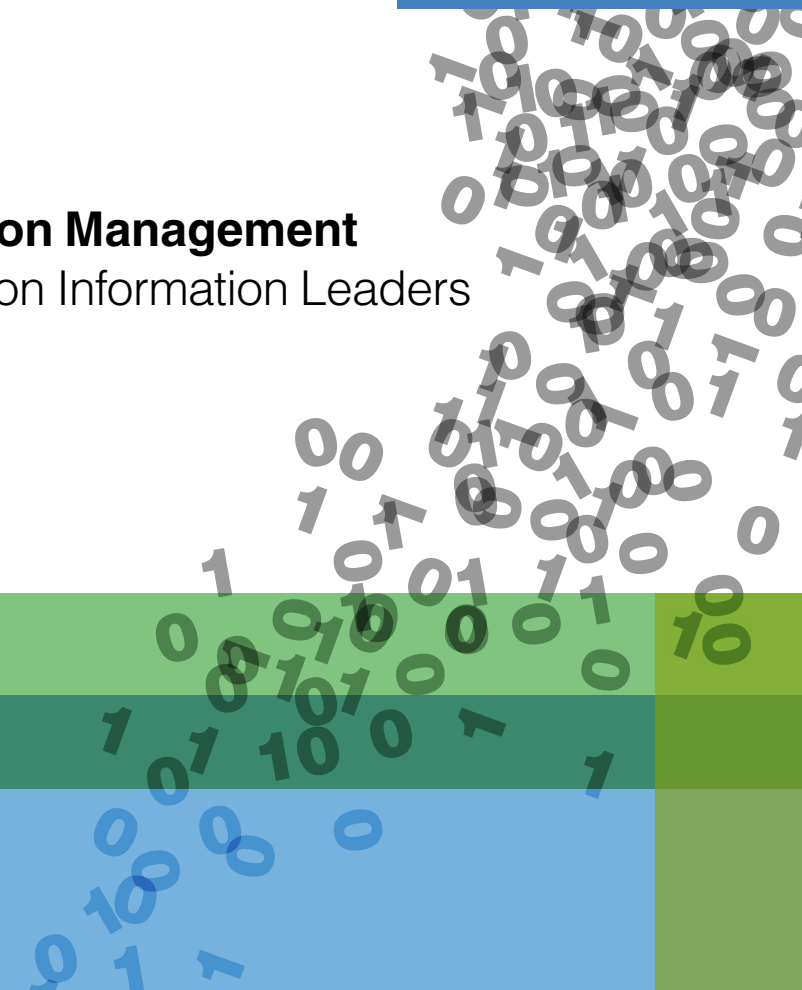


Making Advances in Carbon Management

Best practice from the Carbon Information Leaders

Executive Summary – July 2008

A Joint CDP and IBM Study



This study covers one of the biggest long term campaigns facing business leaders today. A campaign recognised as vital in government, in industry, and among the general public. Across the corporate world, managers are drawing up their strategies to measure and manage their greenhouse gas (GHG) emissions.

The pursuit of emissions management creates a mix of new and familiar issues such as:

1. *Finding relevant data within their organisations and continually improving it*
2. *Involving suppliers without creating unrealistic burdens to share data*
3. *Making links between carbon data, business opportunity and risk*

Working with eleven major companies who have gathered GHG emissions data, this study has identified the key issues involved in the process of carbon information management and proposes best practices to address them.

Carbon data is not just about establishing a footprint. Advanced organisations are using their carbon data to:

- *Forecast the impact of changes in energy pricing and production costs*
- *Assess the carbon cost of new capital investment*
- *Communicate with a range of stakeholders on environmental change strategies*
- *Assess the impact of changing UK and international legislation.*

There is considerable debate also about targets and reporting carbon data. How should targets for emissions be set and what data is needed to do that? Study participants underlined the importance of targets which are relative to increases in output or scale of operations and shared their data with at least one carbon reporting agency like the Carbon Disclosure Project.

Experienced organisations also noted that while accuracy of emissions measurement is important, the overall goal is about changing behaviour and reducing carbon and other emissions. Therefore, defining and communicating a 'big picture' viewpoint is an issue also.

“Measurement is not the end game in itself; management and reduction of carbon is.”

Unilever

The end game needs priorities and this is where good carbon data is vital to effective decision-making. For example, to understand where the biggest reductions in emissions can be made and over what period of time. Such priorities have to be considered in the context of organisational goals, which might be a mix of profit, social and moral values, not least of which is affordability.

“You have to understand it [the data] and understand what you can afford to change.”

United Utilities

With such high visibility and potentially high impact, carbon data is becoming an increasingly valuable organisational asset.

Where do you start? Carbon emissions are not directly measured but derived from other business information. So access to business data is essential, starting within the organisation's own 'four walls'. Often the first carbon calculation begins with a blank sheet of paper and a stack of utility bills. Over time, scope is expanded gradually to incorporate other expense-related data such as travel expense and then beyond the company itself and into the supply chain. But even experienced participants admit that they are some way from automating the flow of carbon data and contrast it with the relatively easy flow of financial data.

Carbon leaders recognise the need to work with a wide range of stakeholders. These include internal stakeholders such as employees and their business functions (procurement and group audit, for example).

There are many external stakeholders including investors, government agencies, industry associations, service providers and other members of the supply chain. This creates a substantial pressure on the organisation to make consistent responses to many different audiences. At the same time, the organisation needs to be cooperative and use its influence appropriately with its stakeholders, which means the data, business processes and the supporting information systems need to be flexible. These are complex issues and external advice is often valuable. The issues raised in this Executive Summary are explored in more detail in the full report 'Making Advances in Carbon Management'.

The research showed that success is driven by stakeholder support:

Leadership and sponsorship are paramount

The commitment to managing emissions needs to come from the CEO and be shared by first tier managers who may take leadership in day-to-day operations of different business units. Sometimes this means active participation in an internal environmental responsibility panel and an external industry forum to engage with carbon information.

“In my experience, information flows when the information is taken seriously.”

HBOS

Influencing employee behaviour is key for most sectors

While leadership is important, emissions data can be discovered at many levels within the organisation which means that everyone will need to appreciate their role and contribution to carbon data and its management. Employees can be extremely creative in contributing ideas to reduce emissions.

Cooperation, trust and education will contribute to emissions control

These are essential characteristics needed when working with people inside and outside the ordinary boundaries of the business. There is a fear at times that carbon data exposes cost structures, especially in the supply chain.

To help build a better carbon management strategy and carbon data picture, it is useful to start asking some questions:

Buildings – Do we own or lease, and if we lease, what share of the overall building do we occupy? Will our leaseholders help us assess our emissions?

Travel – How can we provide incentives for our staff to use public transport more frequently?

Group Functions – How do we account for the shared resources of outsourced payroll or IT functions? How do we calculate the emissions impact and cost of new investments?

Manufacturing – How do we make decisions about manufacturing and outsourcing, and how do we balance the need for lower cost production countries with lower carbon emissions?

Logistics – Is it better to own or lease a fleet? Can we encourage transport companies to trial new fuels? How do we encourage our suppliers to turn off their engines when idling?

End user or consumer – What role can we play in influencing the end user to use less energy and live out a carbon reduction strategy – especially beyond the 'niche' markets of environmentally concerned citizens?

Conclusion

Carbon information management is a complex discipline which is likely to increase in importance to become vital. Good carbon data is not an end in itself. What really matters is the resulting environmental strategy, embedded in the overall business strategy and related business processes. External help is valuable from an audit point of view and in developing reliable carbon information. In turn, carbon information can also influence capital investment programmes and inform new product design and development. This information-led approach is crucial for narrowing the gap between organisational awareness and effective action to manage carbon emissions.



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